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Westly Announces Historic CalPERS Suit Against NYSE

Westly: "We need to tear down the sign on the floor that says 'Big Investors Only.'"

Sacramento, CA – California State Controller Steve Westly today announced that CalPERS, the nation's largest public pension plan, has sued the NYSE and 7 of its specialist trading firms, alleging the trader-based specialist system employed by the exchange cheated enormous amounts from investors.

"This is an extraordinary and historic action on behalf of investors," Controller Westly said. "Our patience has run out. The NYSE must take responsibility for its failure to govern itself. We will hold the NYSE accountable not only for restoring fairness but for restoring investor dollars."

The class action suit, of which CalPERS seeks to be the lead plaintiff, alleges that specialist firms engaged in practices that favored insider investors through self-dealing and abuse of confidential knowledge of public investors. It says the NYSE tolerated these practices and concealed its failure to provide adequate oversight. The suit seeks to make permanent reform and to recover millions or billions of dollars for investors.

"When the NYSE bells ring only the voice of the biggest investors is heard," Westly added. "We need to tear down the sign on the floor that says 'Big Investors Only,'"

Since October, Controller Westly has been leading the fight against the specialist system, arguing that the human-based trading system isn't only unfair to public investors but is antiquated. In fact, the NYSE stands alone in using the specialist system, as other exchanges have adopted technology-based systems. Westly has urged the exchange to inject technology into trading and end the inequitable specialist system.

"By resisting new technology, the NYSE rejects fairness for favoritism," Westly added. "If technology can democratize entire nations, it can do the same thing for the NYSE."

As California's controller, Westly is a board member of CalPERS and is a fiscal watchdog over state finances and investor rights.

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